

Updated Annual Governance Report

London Borough of Hillingdon

Audit 2007/08

November 2008



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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
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Introduction

- 1 The draft Annual Governance Report (AGR) is submitted as Item 1 on the agenda of this meeting. In paragraph 3 of that draft report we stated that we would provide a verbal update. It is considered appropriate for this to be in writing and tabled.
- 2 The following paragraphs set out the main changes since the draft was produced. The draft AGR will be finalised after this meeting and will take account of this update.
- 3 The Statement of Accounts has been amended to reflect agreed changes; any further changes, expected to be minor, will be agreed with the Director of Finance, subject to the Committee's agreement to this.

Progress since draft AGR

- 4 Table 1 of the draft AGR set out key areas of judgement and audit risk. All of these issues have been reviewed and there are no issues arising. The recommendations still stand.
- 5 Paragraph 11 set out areas of work still to be finalised. The main area still outstanding is Whole of Government Accounts but this work has no impact on the opinion.
- 6 Table 2 set out qualitative aspects of financial reporting. There are two further items which require reporting. The Council is to add a non-adjusting post balance sheet in respect of recent issues on the Pension Fund. The Council discloses £174.5m loans with Public Works Loans Board (PWLB) and is required to disclose fair value for these loans in a financial instruments note. PWLB provided this fair value in the figure of £177.5m. However, the Council used a capital financing consultant (SECTOR) to advise it on the fair value of all its loans, of which the PWLB loans were only part. SECTOR calculated the fair value of the PWLB loans at £167.6m. The reason for the difference is that the methods of calculation. This matter is reported to you but will have no impact on the opinion.
- 7 Appendix 2 set out the main amendments to the original Statement of Accounts. A further amendment has been identified which requires reporting, namely:
 - income and expenditure, interest payable: Item 8 debit of £2.5m had been included in error in interest payable and in interest receivable; the correcting entries are debit interest receivable and credit interest payable.

Main conclusion

- 8 The matters set out above do not impact on the opinion. It is therefore still expected that an unqualified opinion will be given by 30 September.

The Audit Commission

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For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421

www.audit-commission.gov.uk
